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Recent Developments in International Taxation

Greece

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Greek tax bill 2019

This report explains the amendments to income tax rules in the Greek tax bill of 2019.

Tax residence of individuals

Tax residence rules for individuals were overhauled based on the Organisation for Economic Co-operation and Development (OECD) Model of Double Tax Treaties Commentary. By virtue of Law 4646/2019, the criteria for the determination of tax residence have been amended: the reference to 'social ties' has been abolished because social ties are included in the notion of 'personal ties'.

Furthermore, the bill clarified that a Greek tax resident is considered as an individual who lives in Greece for a period exceeding 183 days cumulatively and not continuously (as in the former rule) during any 12-month period, and the tax residence in Greece is determined as the resident's first day of presence in the country.

New income tax rates

The new income rates for individuals (Article 6 of Law 4646/2019) enacted in 2019 and applicable as of 1 January 2020 are as follows:

Income from salaries, pensions and business activity (€)	Tax rate (%)
0–10,000	9
10,001–20,000	22
20,001–30,000	28
30,001–40,000	36
40,001–	44

The new non-dom regime

In an effort to attract high-net-worth individuals, Greece launched an alternative income tax regime for foreign income earned by individuals who transfer their tax residence to Greece (applicable as of 1 January 2020). Pursuant to the recent legal framework (new Article 5A of Law 4172/2013), an individual who transfers his/her tax residence to Greece may be subject to an alternative income tax regime.

The requirements that must be met are as follows:

1. the individual concerned has not been a tax resident in Greece for the previous seven of the last eight years;
 - (i) if the individual appears in the records of the Tax Administration as a foreign tax resident for the previous seven of the last eight years, no supporting documentation is required; and
 - (ii) if no information proving the individual's tax residence during the previous seven years of the last eight years is available to the Tax Administration, then a tax residence certificate issued by the competent tax authority abroad is required for each of the years for which information is not available;
2. the individual proves that he/she is investing in real estate based in Greece. The amount of this investment may not be less than €500,000 and shall have been completed within three years, beginning from the date of the application. After the expiry of three years and no later than six months after the expiration of the three-year deadline, the individual must submit the relevant supporting documents proving the completion of the investment before the tax office for residents abroad in order to continue to qualify for the alternative taxation, unless the completion results from data that is available to the tax authority.

If the individual is a holder of a residence permit in Greece for investment activity, the above condition (2) is not required.

Reduction of corporate tax rates and taxation on dividends

- The corporate income tax rate is 24 per cent for tax year 2019 onwards (reduced from 28 per cent). As an exception, for credit institutions that have made use of the deferred tax credit, the corporate income tax rate is 29 per cent (Article 22 of Law 4646/2019 amending Article 58 of the Income Tax Code (ICT)).
- Dividend withholding tax is five per cent as of 1 January 2020, instead of ten per cent, which was applicable for previous years (Article 24 of Law 4646/2019 amending Article 40 of the ICT).

New intra-group rules

Capital gains earned by a Greek legal entity derived from the disposal of shares in a legal entity that is a tax resident of a European Union Member State are exempt from income corporate tax because the entity that transfers the shares holds at least ten per cent participation for a minimum holding period of 24 months for the aforementioned source. Capital gains are not taxed upon distribution or capitalisation as of 1 July 2020.

The bill clarified that the beneficial regime of Directive 2003/49/EU for the exemption of interest and royalties from withholding tax also applies to payments between domestic affiliated legal entities (Article 23 of Law 4646/2019 amending Article 63 of the ICT).

Tax exemption of interest from certain sources (Article 21 of Law 4646/2019)

As of 1 January 2020 onwards, the following interest earned by individuals or legal entities, who are neither Greek tax residents nor maintain a Greek permanent establishment accordingly, are exempt from withholding tax:

- interest gained from corporate bonds traded on a trading venue within the EU or regulated market outside the EU, regulated by an authority accredited by the International Organization of Securities and Commissions; and
- interest gained from bonds issued by credit cooperatives operating as credit institutions.